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Global Business Challenges and the Role of Corporate Diplomacy

Maria Alejandra Madi

Abstract

Today, corporate diplomacy refers to a new business governance model in a challenging global order where economic complexity, uncertainty and potential sociopolitical conflicts should be considered in any successful policy and strategy. Indeed, taking into account that the practice of corporate diplomacy enhances the redistribution and reallocation of economic power and wealth, there seems to be a global trend away from the shareholder business model of value creation towards a new one where stakeholders might be considered. However, there has been a controversial understanding of this new global management trend in terms of the configuration of relevant features of market dynamics. Considering this background, and adopting the methodological perspective of case studies, this chapter elaborates an analysis (i) of the complex drivers that shape corporate diplomacy competencies and strategies and (ii) of the potential results of corporate diplomacy in a global trade scenario that has been deeply affected by the coronavirus pandemic. Among the key findings, the Brazilian experience after the outbreak of the coronavirus pandemics shows that the role of corporate diplomacy as a business tool of governance aimed to defend sectorial interests might be crucial to normalize trade flows.

Keywords: corporate diplomacy, stakeholders, normalization of global trade, coronavirus pandemics, governance

1. Introduction

Corporate diplomacy refers to a new business governance model in a challenging global order where economic complexity, uncertainty, and potential sociopolitical conflicts must all be taken into account in any successful policy and strategy. Indeed, given that corporate diplomacy influences the redistribution and reallocation of economic power and wealth, there appears to be a global trend away from the shareholder business model of value creation towards a new one that takes stakeholders into account. However, in terms of the configuration of relevant market dynamics, there has been a contentious understanding of this new global management trend.

The practice of corporate diplomacy aims to build reputations and relationships with external stakeholders [1]. In this attempt, the goals to consider refer not only to the immediate results, but also to the long-term effects of any policy or strategy. This perspective is nowadays relevant since the current investment chain is complex due to complex interactions not only between investors and managers, but also among other stakeholders [2–4].

Considering the evolution of global business models since the 2000s, they can be apprehended as a form of governance that aims increasing short-term earnings by means of a “clash of rationalization”. The economic and social outcomes have involved a trend to ‘downsize and distribute’, that is to say, a trend to restructure, reduce costs and focus on short-term gains. In practice this has meant plants displacement and closures, changing employment and labour conditions, outsourcing jobs, besides the pressure on supply chain producers in the global markets. Therefore, within this business model, investments that are fixed for society turn out to be liquid for investors. The dominance of a culture based on short-termism has major implications that go far beyond the narrow confines of the financial markets. In this setting, the costs of this business model fall disproportionately on society because of the commitment to liquidity.

Against this backdrop, we address that corporate diplomacy is a new tool of governance that emphasizes collaborating with governments to develop societal rules to govern business conduct. Corporate diplomacy is a promising approach to business governance in order to learn how to create and change global rules for better outcomes in business, society and trade. In short, the relevance of this relies on the growing concern on the management of common-pool resources at local and global levels where polycentric systems of governance refer to build collective-actions.

At this respect, Elinor Ostrom in her 1990 well-known book *Governing the Commons: The Evolution of Institutions for Collective Action* considered there is not one ideal governance regime, but a variety of regimes of governance that might include: rules of appropriation and maintenance of resources, rules for of conflict resolution, besides the evaluation of strategies to change rules. Focused on the capacity of people around the globe to create long-run resilient arrangements for protecting environmental resources. In particular, she studied how groups of people manage and preserve common-pool resources such as forests and water supplies. However, collective actions have not inevitably emerged in all groups of people. She defined common or common-pool resources as public goods with finite benefits. Therefore, common-pool resources can be potentially used beyond the limits of sustainability because of the lack of exclusion of users. This creates an incentive for increasing the rate of use of this resource above its physical or biological renewal. Besides, her research pointed out that common property is a kind of institutional arrangement that regulates ownership and responsibility.

Considering this framework, the users of common-pool resource can work together to enhance the sustainable governance of their commons by collective action. Indeed, under her view, successful commons’ self-governance institutional arrangements depend on: the coherence between the resource environment and its self-government structure, the enforcement of rules through effective monitoring and sanctions, and the adoption of low-cost conflict resolution mechanisms.

According to Ostrom, adaptive governance is related to changing rules and enforcement mechanisms over time since institutional arrangements are able to cope with human and natural complex systems. As a result, citizens, governments and businessmen might deal with collective-action problems in different ways at diverse scales. Indeed, her contribution adds to our understanding how collective actions and polycentric arrangements of governance can influence economic outcomes, human behaviors and institutions towards growing resilience and sustainability. In this attempt, she crossed traditional boundaries between political science and economics. Indeed, Ostrom’s proposal is at the core of ethical business.

Drawing on the relevance of different governance regimes in business, it is interesting to note that most of academic literature focuses exclusively on the analysis of voluntary agreements in more developed countries or regions [5]. For instance, Magali A. Delmas and Maria J. Montes-Sancho [6] compare two theories

that can be used to evaluate corporate initiatives and that serve to explain the motivation of actors to participate in voluntary agreements: institutional theory and the theory of collective action. The theory of collective action argues that companies participate in corporate sectoral strategies much more to maximize gains than to protect the common good. These gains may also be reputational or purposive. In turn, the institutional theory is complementary and helps in understanding how the social context influences the firm's actions. In this sense, this theory argues that companies enter into collective agreements in response to social pressures and to improve their reputation. For the authors, voluntary agreements are signed between companies and regulatory agents, in which the former commit to commitments to address environmental issues and reduce their impacts on the environment. These agreements can be created in response to a new regulation, to make its implementation more flexible, or even to encourage the creation of new regulatory practices. In general, the authors indicate that these agreements can be created in two ways. The first occurs when industries of the same sector voluntarily commit to reducing their environmental impact, and these commitments are usually coordinated by an industry association. The second form refers to those initiatives in which the government and the industry agree on common commitments. In their study, Delmas and Montes-Sancho highlight factors that may explain the behavior of companies to participate in voluntary agreements. Among these factors, firstly, the authors point out that the greater the political and social pressure on companies in their home countries, the greater the chances of these companies participating in voluntary agreements. Secondly, the performance of industry associations also plays an important role for the emergence of effective sectorial initiatives.

Considering this background, the present study is centred on the Brazilian case also aims to fill the literature gap and contribute to the existing knowledge on corporate governance. The main goal is to analyze how corporate diplomacy in Brazil has been used as a tool of governance to manage the consequences of the global trade challenges in 2020. This methodology is considered appropriate to analyze specific business actions in order to elaborate some generalizations that might be of theoretical interest for the definition of further business strategies oriented to global trade.

In this attempt, the first section presents an overview of the business scenario in retrospect. Second, we explore an analysis of the complex drivers that shape the shift towards the emergent role of corporate diplomats with new competencies and strategies under the new normal. Third, considering the Brazilian experience, we briefly present a case study to show the outcomes of corporate diplomacy as a tool of governance in a global trade scenario severely impacted by the coronavirus pandemic. Finally, the conclusions summarize the key findings about new governance tools that might be relevant for business management in a complex global trade order.

2. The global business scenario in retrospect

Business strategies around long-run investment and profits have varied over time. In the context of the post Second World War it was widely spread that for a firm's long term sustainability and profitability it was necessary to invest in long term expansion and to improve workers' relative wages. This was also a "golden age" for workers' rights and organization practices. Indeed, Lazonick and O'Sullivan have described this business trend as a strategy of 'retain and reinvest' where profits were retained by the company and reinvested into productive capacity [7, 8].

However, this scenario began to change during the 1970s and 1980s. The new phase of financial dominance was concomitant with the reconfiguration of the international monetary system under the dollar supremacy after the 1980s that fostered the processes of globalization and financial deregulation. As a result, the historical changes in business have been related to qualitative transformations in capital accumulation and competition. The changing practices on corporate finance fostered the growth of the participation of institutional investors, such as pension funds or private equity firms, in business management as relevant shareholders. As a result, there was a change from reinvestment towards a strategy of maximizing short-term value for shareholders. The drive to increase the share-holders' value and the incorporation of the managerial strata through share options tended to postpone long-term investments. In addition, these practices favored mergers and acquisitions and fostered financial speculation. As a matter of fact, the financial conception of investment increased in the context where financial innovations aimed to achieve fast growth with lower capital requirements to improve short-term results [9].

In fact, the centralization of capital, through waves of mergers and acquisitions, created new challenges to business stability. In this scenario, the economic and social outcomes have involved a trend to 'downsize and distribute', that is to say, a trend to restructure, reduce costs and focus on short-term gains. In practice this has meant plants displacement and closures, changing employment and labour conditions, outsourcing jobs, besides the pressure on supply chain producers in the global markets. The costs fall disproportionately on labour because the new priorities of shareholder value limit the social responsibility of firms.

Changes in corporate governance and power relations have happened in the context of financial liberalization. There is no doubt that since 1970s the process of financial deregulation and financialization has radically changed the way banks, non-banks and non-financial institutions work and interact with the real economy. Within this setting, the evolution of central banks' policies and private strategies has influenced the dimension and composition of the balance sheets of the different sectors of the economy. Among the main features:

- Commercial banks, although they still perform their peculiar function of creating new purchasing power ex-nihilo and continue to provide initial finance to both non-financial business and households, they have been ensuing major increase in cash assets.
- The household sector has got increasingly indebted.
- Corporations have moved to "surplus units" running financial surpluses that have been diverted towards the acquisition of financial assets instead of financing physical investments.
- The balance sheets of mutual investment funds are now larger than before the crisis with respect to the GDP and they have influenced the flows of investment in companies.

Market deregulation has been associated to great transformations in the models of economic growth. While some countries have presented a consumption-driven growth model fueled by credit, generally followed by current account deficits, other countries have shown an export-driven growth model, mainly characterized by modest consumption growth and large current account surpluses. In spite of the coexistence of different growth models, the financial-led accumulation regime has presented some distinctive features:

- A redefinition of the role of the state that has been justified by the deregulation process in financial, product and labour markets.
- Changes in macroeconomic policies that turned out to focus fiscal adjustments instead of employment goals.
- The centralization of capital, through waves of M&A and the expansion of sub-contracting schemes (outsourcing) that has been nurtured by short-term profit goals. In fact, one of the most important changes in investment decisions resulted from the increased pressure of shareholders. Assets, debts, current stock market evaluation, mergers and acquisitions have overwhelmed the practice of investment decisions. Indeed, the financial conception of investment has increased in the context where financial innovations (debt and securities) could be used to achieve fast growth with lower capital requirements.
- The redefinition of labour and working conditions that has been at the center of increasing inequality. In truth, the evolution of the capitalist relations of production has revealed changing labour organizing principles in order to cope with the dictates of capital mobility and competition: automatic production control; redefinition of workers' skills and tasks in the context of new management practices, job rotation and suppression of rights. Besides, attacks on trade unions and the diminishing organizational strength of collective demands need to be underlined. In this context, the deterioration of income distribution and the weak perspectives of job creation are continuously putting a downward pressure on consumption and, therefore, on economic growth.

In short, the financial markets have not only grown in size but also mutate the composition: the changing role of the traditional banking system and the expansion of shadow banking since investment funds have become the main features of current financial systems. The evaporation of the traditional distinction between bank-centred and market-centered financial institutional set ups imposed by the post-World War II tight regulation of the financial system has imposed new analytical challenges. Accordingly the Çelik and Isaksson [10], the current investment chain is complex due to cross-investments among institutional investors, increased complexity in equity market structure and trade practices, and an increase in outsourcing of ownership and asset management functions. In addition, ownership engagement plays an important role for effective capital allocation and the informed monitoring of corporate performance.

The expansion of financial accumulation has increased the wealth and power of the owners of capital whose assets are embodied in securities, bonds, shares, etc. Meanwhile, financial firms have increasingly dominated firm groups. Considering the evolution of the business models since the 1990s, the corporations' strategies turned out to focus on short-term gains and the distribution of dividends to shareholders, that is to say, to investors. In other words, the business model of the large enterprises could be apprehended as a form of governance that aims increasing short-term earnings by means of a "clash of rationalization". In this context, managers have stimulated the re-composition of tasks, labour turnover, the dismissal of workers, in addition to outsourcing. Therefore, competitiveness and productivity have been put together in the attempt to promote higher business performance. As a result, not only operational strategies in production (suppliers, labor, etc.) but also marketing and commercialization strategies (logistics, mark-up, market share, customer relationship, etc.) have been relevant to face the productivity challenges and efficiency targets.

In the private equity business model, managers are designated to monitor the private equity funds' portfolio companies on their behalf. Private equity funds belong to complex landscape of institutional investors that could be bifurcated as traditional (i.e., pension funds, investment funds including mutual funds, and insurance companies) and alternative (i.e., sovereign wealth funds, private equity, hedge funds). Jensen [11] found that takeovers, leveraged buyouts and other going-private transactions, like the private equity forms, are manifestations of the emergence of new organizations where resources could be managed more effectively than in public corporations. Once a target is selected, the fund acquires a controlling interest in that portfolio company with the general partners directing the company's business and affecting policy at the company level. Jensen's perspective highlights that private equity firms improve performance of their portfolio companies after the takeovers. Given higher levels of debt, managers have to increase operational returns in order to focus on regular payments to debtholders. Secondly, the monitoring role of the private equity firms could exert pressure on underperforming managers in order to achieve the targeted goals.

Within the private equity institutional set up, investors and managers do not assume an irrevocable commitment with the business they own [12]. In the last decades, the burgeoning emphasis on short-term performance, and the move to portfolio managers had a profound impact on mutual fund investment investors' strategies, most obviously in soaring portfolio turnover. Private equity funds reveal the power of centralized money to define investment flows and threaten the stability of a modern economy of production. In a private equity firms' portfolio, a company acquisition (investment buyout) is equivalent to an addition to a stock of financial assets and the investment buyout demand is generated by expectations on the extraction of short-run cash-flows, mainly anticipated dividends and non-equity based fees. Besides the payment of no-equity based fees, a higher debt ratio to improve short-term cash flows could increase the private equity firms' investment returns before selling the portfolio companies three to five years later, either publicly or to another investor. Among the private equity strategies, the exit ones become crucial in the investment (buyout) decision because the search for liquidity shortens the maturation of investments. The target is to sell the companies three to five years later after the takeover, either publicly or to other private investors. Although these institutions hold illiquid assets (companies), managers are used to continuously re-evaluate the portfolio assets. In short, after the 1970s, the reorganization of the markets at the global level has been overwhelmed by the financial logic of investment in a setting characterized by expansion of credit, capital markets' operations and institutional investors.

The new trend towards corporate diplomacy puts in question the dominance of a business culture based on short-term profits. Indeed, the shift towards a corporate diplomacy business model aims to manage potential conflicts between stakeholders, that is to say, the potential tensions between short term and long term business strategies.

3. New commitments in global business

The challenges—and risks—in this transition to a business model focused on stakeholders are enormous. For many of the companies this will require a redefinition of policies, strategies, revenue streams, products and services. These trends suggest new concerns on market competition and global trade. Indeed, the global network of interactions between shareholders and stakeholders has potentially wide and indirect influence on the evolution of the global future of investment,

production and employment. In many cases, this will involve new patterns of growth, energy and technology.

Placing the outcomes of the 2008 global crisis in a long-term perspective, we are living under “the end of normal” since the challenges for actual growth have become deeper. Among those challenges, James Galbraith [13] highlights:

- “Secular stagnation” has lowered the level of potential output and dampen potential growth.
- The nature of technical change seems to negatively affect output growth and employment levels since it is labour-saving.
- Energy markets remain both high cost and uncertain.
- The private financial sector has ceased to be a driver of growth.
- The world order is no longer under the effective financial and military control of the United States and its allies.

In this scenario, how is the corporate diplomacy business model engaging in the “new normal”? How are corporate diplomats adjusting to this “new normal”?

Considering that the conceptualization of resilience has been reframed in terms of flexible adaptation to turbulent and unpredictable market dynamics, corporate diplomats have displayed resilience in a time characterized by slow global growth. They are getting more proactive in pursuing new policies:

- Socially Responsible Investing (SRI), that is to say, avoiding transactions with companies with negative screening according to defined ethical guidelines
- Environmental, Social and Governance Investing (ESG), that is related to the selection of investments after considering environmental, social and governance factors
- Impact Investing that refers to investments structured in order to prioritize social or environmental factors, against financial returns.

To achieve these targets, some strategies have been adopted:

- Active portfolio management in searching promising companies
- Risk management to face new challenges in the good and services markets
- Organic growth
- Expansion through add-ons to add smaller firms acquired at lower prices.
- Adoption of a long-term perspective in fund-raising and investment in order to search for stable and low-growth assets, extend the holding period of investment and, therefore, increase the value creation for the stakeholders.
- Increase board representation and decision rights to influence the company’s investment flows and strategies.
- Adoption of inclusive strategies

In short, corporate diplomats cannot be committed to old management habits. Today's new technologies transform commercial capabilities (Big Data, CRM data, social media platforms). Technology transforms the business scenario as the result of the diffusion of new practices at the micro-level. Focusing on cost reduction and underestimating a company's exposure to technological disruption is certainly a wrong strategy. In other words, the current business scenario required the rebuilding of strategies to modernize commercial capabilities and management profiles. In this new management scenario, corporate diplomats should focus:

- on what the company does: customer and channel engagement, operations, products and services.
- how the company delivers: platforms and partners, data and analytics, and operating model and people.

What is at stake is the ability of corporate diplomats to enhance profitable organic growth that requires the identification of the vulnerabilities in a scenario where the digital economy is transforming how companies identify, understand and serve their customers.

In this context, how competitiveness and productivity have been put together in the attempt to promote better performance under the corporate diplomacy model? Corporate diplomats require new tools and lenses to understand how technology affects industries, consumer products companies, distributors, equipment manufacturers and many other businesses. Among current digital strategies:

- Development of networks of internet providers, advanced analytics or digital partners, specific to each sector, that can provide a foundation of digital support for portfolio companies;
- Expansion of centers of excellence to provide solutions or best practices in areas like digital marketing or social media;
- Expansion of connections to outside digital thinkers who can provide new perspectives on digital trends;
- Development of better communication with stakeholders to explain how major technology trends affect various industries.

The digitization of the economies is also affecting the future of fundraising. It is worth remembering that in the last ten years, mainly after the 2008 global crisis, the increasing digitalization of financial transactions is also related to changes in financial competition on behalf of the expansion of the new non-bank competitors called fintechs, especially since 2010, has revealed a new articulation between finance and technology. As a result of the advance of fintechs, big banks have begun to establish collaborative partnerships with them in order to produce new technological solutions in the areas of payment systems, insurance, financial consultancy and management, besides digital currencies. In this digital environment, new technologies – such as advanced analytics, blockchain, big data, robotics, artificial intelligence, besides new forms of encryption and biometrics – have enabled the provision of innovations in financial products and services that could challenge current central banks' patterns of policy and regulation. In fact, there is still a lot of uncertainties in a context where, for instance, EU regulators have adopted a rather passive approach with messages to caution firms and investors. However, since the year of 2017, the

interest in cryptocurrencies and related digital assets has been increasing. Crypto assets have also been considered as an alternative through the venture capital sector despite concerns about anonymity, price volatility, liquidity and transparency. The expansion of the emerging cryptocurrencies includes:

- Building models for the valuation of these alternative assets.
- Creation of data services regarding cryptocurrencies.
- Regulatory frameworks to enhance a well-connected market structure.
- Development of new instruments to operate digital networks.

Indeed, corporate diplomacy takes part of the “new normal” where analytics and big data tools, among other innovations, are being used to build strategies within a digital ecosystem that might include an internal team to manage the ecosystem..

Moreover, climate change is other driver of management transformations. In 2030, global greenhouse gas emissions could be between 13 billion and 15 billion tonnes higher than the level required to keep global warming within 2 degrees Celsius. Indeed, policy makers are currently at pressure to make progress since it is urgent to limit the global temperature increase to 1.5 degrees Celsius. In this attempt, governments should have to reduce emissions of greenhouse gases by around 25 percent and 55 percent lower than 2017 to limit global warming to 2 degrees and 1.5 degrees Celsius respectively.

Considering this background, climate finance can be a tool to accelerate effective de-carbonization of the economy by means of (a) progress on energy efficiency, (b) de-carbonization, (c) electrification carbon capture and storage, (d) afforestation and reforestation. Overall, global and local investments in electricity continue to fall far short of what is needed to close the energy access gap. In terms of technologies, more than half of total amount of finance committed to electricity in 2015–2016 was related to renewable projects, mainly on-shore wind and solar panels. Although there has been a huge amount of investment in renewable energy technologies, the scaling up global investment requires declining prices for renewables.

Climate finance refers to financial resources invested in mitigation and adaptation projects through financial instruments including loans, grants and guarantees. Today, restructuring energy policies to face climate change require comprehensive solutions in order to include issues related to regulation and finance, technology and innovation, governance and politics, besides environment and social inclusion. The results of global negotiations highlight many challenges to decarbonize the economies. First, there is the climate finance challenge as private actors are the main actors of the investment process while the governments lead the climate change negotiations. Second, there is the educational challenge both between children, young people and professionals to face the requirements to improve teaching practices towards the environment and disaster risk reduction. Third, there is a mismatch between the actions of the ministries of environment and the ministries of economy and finance all around the world. Indeed, global negotiations reveal the lack of articulation between governments and the private sector in order to promote changes in investment patterns and to face education challenges towards a green economy.

The articulation of corporate diplomacy with innovations in climate finance might be consistent with 2-degree pathways. Considering the global investment landscape, the case for climate action has never been stronger it is a must to examine carefully this important aspect of our real economies in a way that leads to a better

understanding of the current role of corporate diplomats as energy investments have been increasingly tied to the private sector. As a result, investment banks, asset managers, investors and managers have key role in the diversification of energy investments. Regarding private climate finance, investment projects oriented to adaptation and mitigation have been locally financed by private resources. Taking into account this background, which are the challenges for private equity investments in energy projects in the near future to cope with the Paris ambition?

Today, comprehensive solutions are required to consider regulation and finance, technology and innovation, governance and politics, environment and social issues. There is the need to overcome the lack of articulation between governments and the private sector so as to promote changes in investment patterns. In this attempt, corporate diplomacy can fill the gap and follow some guiding principles:

- Commitment to face global warming;
- Proactive options (mitigation) must be combined with plans to live with the consequences of global warming (adaptation);
- Allocation of resources in global trade must support sustainable growth strategies and human security.

In short, the perception of a trade-off between good ESG practices (environmental and social governance) and financial performance is being replaced by new business strategies lead by corporate diplomats. A business sector is a living organism whose ethos is the result of a complex combination of customs, norms, beliefs, habits. Changes in business conventions towards responsible investment rely on norms, expectations and actions that could favor long-run investments with inclusiveness. The search for responsible investment should not be separated from sustainable social and economic development. Responsible investment should be a key feature of the reorganization of social interactions since it related to the creation and adoption of guidelines towards ethical practices in business culture. The aim is to modify the relationships among stakeholders, that is to say, among investors, managers, employees, clients, communities and governments.

4. Corporate diplomacy as a tool to improve global governance: key findings from the Brazilian business scenario

Considering the global trade flows, we can now present the general features of the Brazilian business scenario case study based on a sectoral initiative in the context of COVID-19 that influenced the flows of global trade.

The research and analysis of the business scenario was guided by some questions, such as: evaluating the objectives and concatenating the outcomes in order to see the feasibility of the sectoral initiative. According to Godet [14], a scenario describes a future situation and the routing of events that allow movement from the origin situation to the future situation. Indeed, the corporate diplomat must steer the company into the future. To do so, it is necessary to rely on scenarios that include information about key stakeholders, such as competitors, clients, non-governmental associations, foreign governments and national governments, multilateral institutions. The goal of scenario development is to systematize changing trends and analyze the most likely alternatives in order to outline strategies and move towards the desired future. As the future is not completely predictable, there is always a degree of uncertainty in the analysis of business scenarios. At this

Stakeholder	Main interest	Level of Influence	Key Strategy
Corporate diplomats of companies	Normalization of global trade	Low	Elaboration of a sectorial proposal
ABIHPEC	Normalization of global trade	High	Elaboration and negotiation of sectorial proposal
Ministry of Economy	Domestic supply	High	Diplomatic conflicts with China, alignment with the United States.

Source: Elaborated by the author.

Table 1.
COVID-19: Stakeholders and strategies within personal hygiene and cosmetic sector.

respect, it is worth noting that Porter [15, 16] considers that scenarios are views of future reality based on a set of plausible assumptions that take into consideration significant uncertainties that may influence the market evolution. Under the corporate diplomacy perspective, the understanding of the opportunities and threats that might arise from different business alternatives aims at facing factors that may affect the business performance and the decision making process [17].

In Brazil, the role of corporate diplomacy as a business tool of governance to defend sectorial interests within the personal hygiene and cosmetic sector was crucial in the context of 2020. After the outbreak of the pandemics, this sector was deeply affected by the lack of raw materials due to restrictive measures that countries, mainly China, implemented to protect the domestic markets.

In the context of the pandemic, corporate diplomats within the personal hygiene and cosmetic sector working together with the Abihpec, the Brazilian Association of the Personal Hygiene and Cosmetics Industry, monitored all legislation and specific norms applicable to global trade in order to favor the evolution of the industry in a context where the lack of raw materials, the high cost of freights and the devaluation of the Brazilian currency were relevant threats for the business performance.

The sectorial initiative tuned out to influence the decisions of the Ministry of Economy concerning foreign trade decisions. In other words, the impacts of the pandemic related to disruptions in the Brazilian flows of global trade that affected the personal hygiene and cosmetic market were circumvented with the support of corporate diplomats, under the leadership of the Abihpec, in negotiations with the Brazilian Ministry of Economy [18–20]. It is relevant to highlight that, after the outbreak of the pandemics, the Brazilian government has not avoid diplomatic conflicts with China. As a result, the role of corporate diplomats has been outstanding to enhance the normalization of global trade related to personal hygiene and cosmetic inputs and products. In fact, the corporate diplomacy as a tool of governance turned to prove that the Brazilian trade flows could warrant the supply of raw materials and finished product for the local population within the personal hygiene and cosmetic market. **Table 1** summarizes the stakeholders’ map.

5. Conclusions

After some decades, it is a reality that global market deregulation has broadened the gap between business dynamics and the role of governments to favor global trade. Regarding global trade, corporate diplomacy is a tool of governance oriented to address business challenges and entail corporations to create, enforce, and change the rules that govern business conduct. Indeed, at the heart of the negotiations, corporate diplomats keep the focus on global integration.

The relevance of the role of corporate diplomacy in promoting economic and social development through the benefits of new strategies and practices has been deepened in the aftermath of the coronavirus crisis. Considering the Brazilian global trade challenges, the participation of corporate diplomats turned out to create sectorial strategies to enhance the normalization of global trade related to personal hygiene and cosmetic inputs and products, mainly with China.

In light of this, the recommendations, from the perspective of corporate diplomacy, include three pillars: political dialog, business cooperation and free trade. The ever-changing international business environment puts pressure on new companies' capabilities to update on trade negotiation practices. In this sense, future research on business strategies should delve into the alternatives to overcome commercial, financial technological and cultural barriers [21]. In this attempt, corporate diplomats might help to shape global business solutions to complex problems.


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